

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY BUENOS AIRES

UNCLAS STATE 249749

E.O. 11652:N/A

TAGS: BEXP, AR

SUBJECT: FINANCING FOR SEGBA DISPATCH CENTER

REFB BUENOS AIRES 7933

1. EXIMBANK APPRECIATES EMBASSY'S EXPRESSION OF INTEREST IN THIS MATTER AND HAS CAREFULLY CONSIDERED THE ISSUES WHICH THE EMBASSY HAS DELINEATED, PARTICULARLY THE POSSIBLE IMPACT EXIM'S ADHERENCE TO THE FORMULA OF FINANCING AUTHORIZED IN CREDIT NO. 5573 AND GUARANTEE NO. 5574, WHICH WAS FORMALLY ADVISED TO SEGBA BY A LETTER OF SEPTEMBER 13, MIGHT HAVE ON FOLLOW-ON SALES OF DISPATCH CENTERS.

2. BY A LETTER OF OCTOBER 18, TRW CONTROLS CORPORATION RAISED WITH EXIM THE QUESTION OF OBTAINING AN EXIM CREDIT FOR 45 PERCENT OF THE U.S. EXPORT VALUE AND A 7 PERCENT INTEREST RATE. IN ITS REPLY OF NOVEMBER 1 TO TRW EXIM STATED, AMONG OTHER THINGS, THAT, AT THE TIME OF TRW'S OFFER TO SEGBA, EXIM WAS IN THE PROCESS OF LOWERING THE PERCENTAGE OF ITS DIRECT PARTICIPATIONS

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GENERALLY, AND RAISING ITS INTEREST RATES. NO PRELIMINARY

COMMITMENT HAD BEEN ISSUED TO TRW AND THE PRELIMINARY COMMITMENT WHICH HAD BEEN ISSUED TO GTE INTERNATIONAL HAD EXPIRED. SINCE EXIM HAD NO COMMITMENT, PRELIMINARY OR OTHERWISE, IN EFFECT AT THE TIME SEGBA MADE ITS APPLICATION, EXIM OFFERED TO SUPPORT THE PROJECT WITH A 30 PERCENT DIRECT CREDIT AT AN INTEREST RATE OF 8 PERCENT PER ANNUM AND TO GUARANTEE PRIVATE PARTICIPATION FINANCING IN A SIMILAR AMOUNT. THIS DECISION BY EXIM'S BOARD OF DIRECTORS WAS MADE WITH THE AWARENESS OF THE TERMS AND CONDITIONS THAT HAD BEEN OFFERED IN THE EXPIRED PRELIMINARY COMMITMENT. EXIM CONCLUDED THAT, IN VIEW OF THE FACTS IN THE MATTER, IT COULD FIND NO REASON TO INCREASE THE AMOUNT OF ITS DIRECT CREDIT OR TO LOWER THE INTEREST RATE.

3. WHILE FULLY APPRECIATING THE DESIRE OF ANY BORROWER TO HAVE THE LARGEST AMOUNT UNDER A DIRECT CREDIT FROM EXIM AT THE LOWEST INTEREST COST, EXIM WOULD DOUBTLESSLY RUN THE RISK OF NOT ONLY EXPOSING ITSELF TO SEVERE CRITICISM OF FAVORITISM BUT OF SUBJECTING ITSELF TO STRONG PRESSURES FROM OTHER BORROWERS FOR SIMILAR TREATMENT IF IT WERE TO INCREASE THE PROPORTION OF ITS DIRECT CREDIT TO SEGBA AND TO LOWER THE INTEREST RATE ON THAT CREDIT. MOREOVER, SUCH AN ACTION ON THE PART OF EXIM COULD WELL BE COUNTER-PRODUCTIVE TO THE EFFORTS OF TRW AND OTHER U.S. SUPPLIERS TO SELL ADDITIONAL DISPATCH CENTERS IN ARGENTINA SINCE PROSPECTIVE PURCHASERS WOULD REASONABLY EXPECT FINANCING PROPOSALS TO BE AS FAVORABLE TO THEM AS THOSE TRW HAD ARRANGED FOR SEGBA.

4. ON OCTOBER 25, 1974 EXIMBANK RECEIVED A TELEX FROM SEGBA REQUESTING AN EXTENSION OF THE 45 DAY ACCEPTANCE PERIOD AS REQUIRED IN EXIMBANK'S COMMITMENT LETTER OF SEPTEMBER 13, 1974 TO SEGBA. ON OCTOBER 31, 1974 EXIMBANK TELEXED SEGBA ITS WILLINGNESS TO EXTEND THE ACCEPTANCE PERIOD AN ADDITIONAL 45 DAYS.
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